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Correspondent of The National City Bank of New York

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THE NATIONAL CITY BANK OF NEW YORK

1924

# Economic Conditions
# Governmental Finance
# United States Securities



New York, December, 1924

## The Election

THROUGHOUT the business community interest in the election naturally centered during the campaign upon the efforts to build up a third party, of radical membership and purposes, and the outcome of the election disposed of apprehensions on that score very satisfactorily. It was a common plea of the radical leaders that the two old parties were just alike and that the new organization afforded the only real opportunity to have a change, but the election shows quite plainly that what they offered was altogether too much of a change to be acceptable to the great body of the American people.

The two-party system affords the people an alternative choice of administrative organizations, and the opportunity to express their dissatisfaction with the party that has been in power; moreover the two parties become known for policies and tendencies which are sufficiently distinctive to represent the differences which naturally exist among people who yet are in accord as to the fundamental principles upon which society is based and by which its progress in the past has been achieved. In other words, there are differences, but they do not involve the foundations of the present social structure and therefore it is fortunately possible to have a change of political administration without having revolution.

The leaders of the recent third party movement were full of confidence as to what they were going to accomplish and there was much to indicate at the outset that the movement might gather large popular strength. The period of post-war readjustments had brought losses and hardships to many people, causing widespread discontent. Organized labor made its first systematic effort to be a decisive factor in a national election. The Socialist party, which had been content in the past to put up candidates of its own and make campaigns in behalf of its own peculiar doctrines, in this instance agreed to join its strength to the general movement against the existing order. The combined movement had for a leader an experienced political warrior and advocate of considerable personal following.

The speeches and literature of the movement were of the most extravagant and virulent character, and in view of the great out-pouring of representations of a similar kind in the past there inevitably was some uncertainty as to the amount of influence they would carry. The wage-earners and farmers, to whom these appeals were especially directed, together comprise a large majority of the voters: how would they estimate them?

A review of the campaign shows that the movement probably was biggest at its beginning, and lost ground steadily as the campaign progressed, which is what might be expected from its character. It could not stand discussion and publicity. The misrepresentations were exposed or fell to pieces of their own weakness under examination. Many of them were so preposterous that common sense did not hesitate to reject them and their authors were discredited. The ridiculous charge that the price of wheat was being advanced to fool the farmers evidently was off the same piece with the charge that Wall Street and the Standard Oil Company controlled the business of the country.

The outcome is immensely reassuring, because there is reason to believe that it will be the same whenever the same questions are brought to issue. The leader and some of his associates talk about fighting on, and nobody expects them to do otherwise. They cannot change from what they are. They are built that way, their ideas are fixed and they will go on repeating themselves about as they have in the past, but they are not likely to have conditions more favorable to their propaganda than they have been in the last three years.

Although the American Federation of Labor claimed that it did not participate in the movement as an organization, it went as far as the official leadership could carry it. The rank and file of the membership, however, exercised their own judgment as to the wisdom of the policy, with the result that since the election there seems to be practical unanimity of opin-

ion in favor of keeping the organization out of partisan politics. At the annual convention held in El Paso last week a resolution committing the organization to the third party movement was voted down.

## General Business Conditions

The reassuring influence of the election is manifest in all lines of business. A spirit of confidence prevails and the natural result is a quickening of trade and industry. True to past experience the stock market reflected the new confidence immediately and the physical facilities of the New York exchange have been taxed to the limit to handle the volume of transactions taking place at rising prices. Of course this is not of itself prosperity, but when it is considered that the stocks represent ownership in the country's leading industries, and that the buying is from all parts of the country, it is significant of the general belief in better times. Numerous warnings are being sounded against the danger of inflated prices, and of course there always is danger that such movements will go too fast and too far and that due discrimination will not be exercised between stocks of uncertain value and those that have been unduly depressed. The most notable feature of the movement, however, has not been in great extent of the rise, but the breadth of the market, i. e., the number of issues that have participated. This indicates that the cause is a general one, believed to affect the entire business situation. The railroad stocks have led the movement, for the railroads have been in an uncertain position for years and were the particular objective of the La Follette campaign. The moderate rise of these stocks signifies a belief that the roads will have fair treatment under the public policy embodied in existing laws.

### The Conditions of Prosperity

It was not to be expected that all the industries would forthwith show extraordinary activity. The election does not of itself cause more business to be done, but gives assurance that business will not suffer by the adoption of certain mistaken and unsound public policies. It is for the people themselves, business men, investors, employes, wage-earners, all who compose the industrial organization, to go ahead along sound lines and with the necessary spirit of cooperation, and make prosperity. No group or class can make prosperity alone, not even for themselves; there can be no prosperity that amounts to much unless all participate.

In many respects the present situation is much like that following the victory for sound money in 1896. The country was passing through a serious depression at that time. The prices of agricultural products were distressingly low in 1896 and there was much unemployment in industrial centers. The Bryan campaign was much like the La Follette campaign in general appeal and objectives, but carried a particular menace in its threat against the country's monetary system. The defeat of Bryan did not alter existing conditions, but it gave protection against the proposed legislation, which the business community regarded with apprehension, the economic situation gradually righted itself, and the country entered upon the greatest decade of prosperity it had ever known.

It is noteworthy that revival did not follow immediately after the election in 1896, although the election undoubtedly was a very important factor in it when it came. The depression continued through 1897 and was not entirely over until about 1899. The low prices for farm products had come about through the opening of new agricultural territory by railroad construction, not only in this country but in Argentina, Australia and Russia. The depression in this country was due in part also to the reaction which followed a period of land and town-speculation, accompanied by over-construction and undue expansion of credit in numerous cities of the west. In the five years 1890-94 the average production of corn in this country per year was about 1,650,000,000 bushels, and then in the next three years the average was 2,300,000,000 bushsels per year. This increase broke the price of corn, and wheat values were affected by increased production not only in this country but in the countries named above. No governmental policies could remedy this situation; the normal balance between supply and demand had to be restored.

The great war stimulated a like increase of agricultural production, which resulted, after Europe returned to peace-time production, in low prices, from which there has been a pronounced recovery in the past six months. If this recovery is permanent, the entire business situation should mend more rapidly than was the case in 1896-99. There is good reason to expect that this will be the case.

### The Industries

The production of pig iron has increased in each month since last July, rising in October to 2,461,444 tons, or at the rate of nearly 30,000,000 tons per year. Since the election an important volume of orders has been released, production has been increased and prices have stiffened. About the same account can be given of steel products. Producers have more orders on their books, are operating on a larger scale, and are trying to get better prices, profit margins having been decidedly scanty during the Summer depression. Most of the companies showed poor earnings in the third quarter.

The expansion of sales is in numerous lines, the railroads leading as consumers, but the building industry, machinery industry and oil industry are contributing. The railroads are still giving large orders for equipment.

Employment in the industries of New York state increased 1 per cent in October over September, according to the State Industrial Commissioner, but in Illinois this gain was precisely reversed, according to the official authority of that state. The Bureau of Labor, Washington, D. C., upon reports from 8,768 identical establishments in 52 industries, calculated a gain of 1.7 per cent in number of employes in October over September, and of 3.7 per cent in their aggregate earnings.

The outlook for building operations remains good, in fact is improving, according to the Dodge Corporation figures. Contracts awarded in the 36 eastern states, which include about seven-eighths of the total construction of the country, in October aggregated $410,000,000, an increase of 14 per cent over October, 1923. The outlook is for a greater amount of Winter construction than heretofore. October contracts in the five boroughs of New York City amounted to $73,110,000, of which $45,691,000 was for residential construction. In the 10 months of 1924 to October 31st the aggregate of construction work started in New York City was $737,678,000, which was 50 per cent more than in the corresponding period of 1923, and $100,000,000 more than the total construction in 1923.

It is a natural question to ask how this increase of building operations in 1924 over 1923 could have taken place, when operations in the latter year were apparently at the capacity of the industry. Mr. Holden, statistician of the F. W. Dodge Corporation, in the Architectural Record for December, accounts for it by the activity last Winter, which he says has probably established a precedent that will alter permanently the normal distribution of building throughout the year. The Dodge Corporation estimates the total construction in the country in the post-war years and for 1925 as follows:

| Year | Total Construction Estimate |
|---|---|
| 1919 | $3,600,000,000 |
| 1920 | 3,500,000,000 |
| 1921 | 3,100,000,000 |
| 1922 | 4,500,000,000 |
| 1923 | 4,600,000,000 |
| 1924 | 5,000,000,000 |
| *1925 | 4,500,000,000 |

The Hardware Age says that orders now being received for hardware for Spring delivery are in excess of those received at this time last year.

The bituminous coal industry up to the first week of November lagged behind the production of last year. To November 8, 1924, the total output was 392,849,000 tons, against 475,551,000 tons in the corresponding period of last year. This was due in considerable part to depletion of large stocks accumulated in preparation for a strike on April 1st, but the slackening of industrial activity has been an important factor. For the second week in November production exceeded the corresponding week in 1923.

The non-ferrous metals of copper, lead and zinc, are in stronger demand and prices are tending upward. Lead particularly is in a strong position.

### The Textile Industries

The textile industries are in better position and operators in a much more hopeful state of mind than they have been for many months. In cotton goods the situation apparently has reached a fairly comfortable degree of stability. The last government estimate of the cotton crop is just under 13,000,000 bales, the fine Fall weather having added several hundred thousand bales to earlier estimates. This affords a reasonably good working supply of raw material for the industry, for it covers the probable demand, although with little to spare. The price over the last two weeks has hung around 24 cents per pound on the December option, and there has been a pronounced revival of interest in cotton goods. Stocks in merchants' hands have been low, but mills have been accumulating more or less sizable holdings, under the necessity of giving their employes something to do. They made up goods when they could not buy cotton and sell goods to come out even, and this has been the situation for many months.

The change which has come over the goods market in the last three weeks has made it possible to move many of these goods without loss, and in many instances the owners have been ready to part with them on that basis. In other words, the first big step of improvement has been to get upon a break-even basis, and now they are beginning to see their way to making a little profit. All of the staple cotton goods are in better demand and have sustained price-advances. The improved position seems to be well-supported by all the conditions. The carry-over of raw cotton is relatively small, when consideration is given to the improved prospects for demand at home and abroad, and this strengthens the inclination of dealers to buy the goods freely.

Foreign manufacturers seem quite disposed to lay in supplies of the raw material. Exports from August 1st to November 21st aggregated 2,766,118 bales, against 1,993,456 bales in the corresponding period of last year, every importing country increasing its takings. Germany has increased her takings more than any other country. These foreign purchases are a very important factor in making the price for

cotton, and American manufacturers are in close quarters between the price of the raw material and the goods prices.

The woolen and worsted industry is under pressure from rising prices for its raw material. Business has had a dragging tendency this year, but the mills have been operating at a higher rate in recent weeks. The known tendency to higher prices for wool is particularly responsible for a little more life in the trade, although manufacturers and dealers in made-up goods profess to be dubious about how the public will take to price increases. A rise of 5, 10 or even 25 cents per pound in wool, however, makes only a relatively small increase in the price of a suit of clothes.

The demand for silk goods is more active and the industry is generally reporting good business.

Other lines of textiles, including underwear and specialties, have experienced a revival and are looking forward to a satisfactory business on Spring goods.

### The Wage Question

Among the New England cotton mills the wage question has been under very serious agitation. In the period of light business and low prices the New England mills have suffered more than their Southern competitors, and have felt themselves at a disadvantage in wage rates. The Amoskeag Mills, of New Hampshire, after getting the consent of their employes several months ago to a 10 per cent reduction, concluded that it could not undertake to increase its operations on that basis, but in view of the recent improvement in the goods market is now proceeding on this basis. Ten of the leading companies of the industry in Maine, having in all about 13,000 employes, have followed Amoskeag with a similar reduction, effective November 24. The last change of wages in these mills was in April, 1923, when an increase of 12½ per cent was put into effect. After the present reduction wages remain more than 100 per cent above the pre-war scale. While the improvement in the cotton goods market will naturally make labor less receptive to wage reductions, Northern manufacturers complain not only of Southern competition but of importations, and have misgivings that the latter will increase. There is no gainsaying that the textile industry in New England has had a very unsatisfactory year.

## The State of Agriculture

The outstanding feature in agriculture this year has been the timely arrival of relief where it was most needed, to wit, among the wheat-growers of Minnesota, the Dakotas, Montana, Nebraska, Kansas, Oklahoma and Texas. These states had large yields of wheat of fine quality and received high prices. The effect has been a marvelous change of economic conditions. In the Southwestern states named a good corn crop also was produced, and is bringing a high price.

The good results from wheat this year have caused the farmers to sow a larger acreage for next year, which may or may not prove to be good policy. There is a strip of country in the plains region which under favorable conditions is able to produce much greater values in wheat than in anything else. The land is comparatively cheap, fertility is unimpaired, and the prize of a good crop is so enticing that wheat-growing is not likely to be abandoned there. The reduction of acreage, if made at all, will have to be made elsewhere. Nor is wheat-growing likely to be abandoned in the regions where it has a place in a system of rotation, for there it is fairly remunerative and has a definite place in the scheme of agriculture. The mischief was done last year largely by the enormous Canadian crop, which may not be repeated in a good many years. Even with it the carry-over was not large enough to meet this year's deficit without an extra ordinary bulge of price.

The corn crop on the whole is the poorest in many years, for not only is the yield in bushels low but the feeding quality is poor. The effect of this is seen in a rush of immature hogs and cattle to the central markets. Receipts of hogs at Chicago are now equalling the highest records of the past, but a large share of them are light weights and have to bear price-discrimination. These are hogs which should have come later with more meat on them, and their premature arrival indicates a shortage about the time of their normal due-date. Well-finished animals are bringing good prices. Hog production was overdone in 1923, but consumption is large and increasing in this country, and the products are in good demand abroad. All accounts indicate that the number of hogs on the markets in 1925 will be considerably less than in 1924.

The year has been a disappointing one to the cattle-growers. Feeding operations have been made generally unprofitable in the last half of the year by the rise in the price of corn and failure of beef prices to rise proportionately. The prospect of high-priced corn has limited the demand from the farms for feeders at the central markets. Mr. Harlan, of the Bureau of Agricultural Economics, Department of Agriculture, has discussed the cattle situation recently as follows:

**The trend of cattle production at present is very uncertain. Marketings after declining materially in 1921, increased the next year to above the 1917 level and much above the pre-war and have since remained at about this point. The question is whether these heavy marketings since 1921 have represented liquidation,—slaughter each year being greater than the**

**natural increase—or whether the slaughter has been equivalent to the annual supply produced. In other words, is present annual slaughter about what should be expected from our basic stock or is it depleting stock? There has been much talk of liquidation and undoubtedly there has been a marked decline in beef cattle in some areas since 1920—but at the same time there have been increases in others. Often this has been the situation within a single State. For instance the general opinion has been that liquidation in Montana has been heavy and 1923 marketings were large. But in spite of these marketings, the number of cattle assessed in the State early in 1924 was as large as in 1923, although certain important counties showed decreases. In the Sand Hill section of Nebraska the number of cattle assessed in 1924 was the largest since 1920.**

The prosperity of the dairy industry at a time when grain prices were depressed, has encouraged expansion, and pasturage conditions during the past season have been favorable to large butter production, resulting in heavy storage, and some depression of prices. On November 1st according to government figures, there were 135,000,000 pounds in storage, against 76,000,000 pounds on that date last year, but since then production has been declining and the movement from storage has been heavier than last year. Consumption has shown a good increase throughout the year. In November the demand for fresh butter in Chicago exceeded the available supply, with the result that prices rose rapidly to 50 cents. Prices advanced in New York also, but in less degree. Notwithstanding the heavy stocks, sentiment has strengthened as to the outlook for the season's storage. Imports have practically ceased, as Germany is taking more of the Danish supplies and the London market is stronger.

The cotton crop of 13,000,000 bales at going prices is remunerative to the producers and means prosperity for the South. Texas has almost as large a yield as last year, something over 4,000,000 bales. The increased production is due to more favorable weather conditions and less activity on the part of the boll weevil, also due in the main to weather conditions. This pest is estimated by the Department of Agriculture to have caused a reduction of 3,500,000 bales in the crop of 1923.

Senator McNary, of Oregon, one of the sponsors of the McNary-Haugen bill, has announced that he will not push the bill in this Winter's session of Congress, the rise of prices for the products covered having practically disposed of the reasons for it. On the other hand an organization calling itself the American Council of Agriculture, or some such name, declares that the present situation may be only temporary and that the bill should be pressed. This is understood to be the position of Congressman Haugen, whose name is linked with Senator McNary's as co-author.

No doubt it is true that if more of wheat, corn or any other product is grown next year than the markets will take at this year's price, the price will decline. The opponents of the bill have maintained that the low prices of the past were due to this cause and that the only remedy was by adapting production to probable demands. The rise of prices this year does not give assurance that prices will not be low again in the future, but they afford a demonstration that there is one effective way by which the farmers themselves may exercise a reasonable degree of control over prices. Daily observation of the markets will show that prices are governed by the relation between supply and demand. Producers of all commodities find it necessary to recognize this fact and adapt their plans to it.

It may be added, however, that since the break of prices in 1920 the markets for foodstuffs have been unsettled and speculative to a greater degree than before the war, because of the difficulty in forecasting both the available supply and the effective demand. Russia has been a highly uncertain factor in supply and the purchasing power of Europe has been an uncertain factor in demand. The recovery of the wheat price this year will put more courage into the markets next year, for it has demonstrated that the margin of supply from year to year is a narrow one, and that if wheat is not wanted in one year it is very likely to be wanted in the next.

## Money and the Exchanges

Loans of reporting member banks of the Federal Reserve System increased moderately during the four weeks from October 15 to November 12, and investments in securities increased slightly in the aggregate, although the holdings of government securities declined slightly. Loans made a new high record for the year at $12,872,000,000, and loans, discounts and investments a new high in the history of the system at $18,432,000,000.

There probably is no general appreciation of the increase in the volume of outstanding bank credit since a year ago, and particularly in the last six months. On November 14, 1923, the amount was $16,419,000,000, so that the increase in the year has been $2,012,000,000, or about 12½ per cent, while on June 4, 1924, the amount was $16,662,000,000, and the increase since then has been $1,770,000,000. Since November 12, 1924, the increase in the form of loans has been $942,607,000 and the increase in the form of investments by the banks on their own account, $1,070,200,000. Since June 4 the increase in loans has been $930,000,000 and in investments $840,000,000. The increase in loans classed as commercial from November 14, 1923, to November 12, 1924, was $204,000,000, and from June 4 last to November 12, $381,000,000, there having been a decline between November last year

and June this year. These figures are for the reporting member banks, which include the banks of the larger cities, doing about 65 per cent of the business handled by all member banks.

It is evident that the expansion of banking credit since a year ago has been almost wholly outside the regular commercial banking field. The situation is that under the existing reserve requirements, reduced since the Federal Reserve system was established, and with the large accessions to reserves through gold imports, the banks have had vastly more credit available than commercial requirements call for, and as these deposits are costly, they have been driven to put the funds into other employment. More than one-half of the bank deposits are employed for other than strictly banking purposes, or to put it more accurately, more than half the deposits arise from the employment of bank credit outside the banking field. It is inevitable that it should be so, when so much difference exists in the rates between short-time and investment funds. Of course this situation makes the Federal Reserve banks more than ever the mainstay of the banking system.

The small increase in commercial loans in the past year is scarcely commensurate with the growth of population and physical volume of business. Obviously it is true that there has been no inflation of credit in commercial use, but what about the expansion for other purposes?

It is to be considered that the banks hold a large amount of deposits of the savings or investment class, which properly belong to investment uses, but the increase in loans since June has much exceeded the growth of such deposits. Evidently it has been due primarily to the influx of lawful reserve money.

It is not intended to suggest that these loans and investments have been imprudently made so far as security is concerned, or that they involve any element of danger. But obviously they are of the more or less permanent, rather than liquid, class, hence the credit locked up in them cannot be readily shifted to commercial use. It must stay where it is, and any new demands for commercial use must be mainly satisfied from other sources.

A sense of fidelity to sound banking principles has prompted bankers to withhold such an amount of credit from investment purposes that the supply for short term uses has been overabundant and interest rates very low. It is important, however, to bear in mind that very little available credit outside of the Reserve banks is actually idle, and that an increase in the commercial demand, or a loss of reserves through a movement of gold to Europe, would be likely to effect a rapid change in this cheap money situation. On the other hand, if gold importations continue, which under the conditions is very undesirable, easy money and a continuation of loan-expansion may be expected. In the first three weeks of November gold imports at the port of New York were about $13,000,000 and exports about $5,800,000.

It should be noted that this discussion applies to the credit situation outside of the Reserve banks. Of course, they have an ample supply available for imperative needs, but in view of the very great expansion of credit which has taken place in the past six months, it may be presumed that they will not go with the movement very far without putting on the brakes.

### Foreign Exchange

About a year ago the value of the pound sterling suffered a decline which before it was finally stayed carried its price in terms of dollars down to about $4.20. From this it recovered by last summer to around $4.40, and of late has worked up to above $4.60.

The recent advance is more significant in view of the fact that it has been at a time when British importations of wheat and cotton have been unusually heavy. There is much interest as to when the attempt will be made to cover the remaining distance to par and accomplish the resumption of free gold payments. The view in financial circles over there has been that it would come about by the natural recovery of British exports as world trade came back to normal volume. In 1923 British foreign trade was only about 75 per cent of the pre-war volume. Expectation has been strong that inflation in the United States would help put up sterling, by making prices high here and thus stimulating British exports.

The restoration of the gold standard in Germany undoubtedly will stimulate the desire of London to be re-established on the same basis. Sweden is squarely on a gold-paying basis again, and the currency of Holland is at par. The time seems to be ripe for a general movement to bring the currencies of Europe into line with the common standard, although in many of the countries a revaluation of the unit will be necessary.

## Bond Market

Although the investment demand continued strong during the month, there was a noticeable falling off from the previous month in the number of new issues. The most outstanding feature was the offering of $100,000,000 Government of the French Republic 7 Per Cent External Loan, at 94 to yield about 7.53 per cent. The offering proved to be a tremendous success, subscription books closing within an hour after being opened with a very heavy

oversubscription. Bond sales were quoted on the Stock Exchange the same day as high as 94⅜ to 94¾ and have since sold as high as 94⅞.

At the close of the month dealers all over the country are complaining of the situation in which they find themselves—i. e., not having on hand sufficient securities to satisfy the investment demand.

The United States Bond market was a declining one during the month just closed, the Liberty 4¼ per cent bonds receding ¼ of a point, while the U. S. Treasury 4¼ per cent bonds optional 1947, interest due 1952, declined 1½ points. This situation was caused principally by a slight tightening in money rates, plus selling by those who desire funds for stock market purposes. There was also liquidation by banks and corporations who purchased bonds in the first instance when funds were exceedingly plentiful and who now desire a portion of such monies to meet the demands of their customers and for commercial purposes.

The German Loan issued in October to inaugurate the operations of the Dawes Plan continues in popular demand. It was the most active on the Stock Exchange during the last week of November, selling as high as 95⅝ against an issue price of 92.

New York and London bankers have extended a $15,000,000 credit to the German State Railway Company. This loan was made for one year on a straight 7 per cent basis and bankers interested in the credit say that the loan will not be passed on to the public through sale in the public market. It is explained that the loan is suitable only for bankers and trust companies and the fact that the interest rate is 7 per cent against 7¾ per cent for the larger German loan is due to the short term. Second mortgage 15 year 7 per cent gold bonds will be issued by the German State Railway Company and pledged as security for the $15,000,000 credit, the second mortgage bonds being secured by a mortgage, subject only to the lien of the first mortgage Reparation bonds.

The Dow Jones figure for the combined average of 40 bonds (10 high grade rails, 10 second grade rails, 10 industrials, and 10 public utilities) was 90.82 on November 26 as compared with 90.88 on October 25 and 87.25 on February 28.

Among the more important offerings which have been placed on the market during the month were the following:

| | |
|---|---|
| $20,000,000 | Cities Service Power & Light Co. 20-Year S. F. Secured "A" 6s, due Nov. 1, 1944, price 94½ and interest, to yield about 6.50 per cent. |
| 7,500,000 | Southeastern Power & Light Co. Secured 6 Per Cent Notes, due Nov. 1, 1929, price 100 and interest. |
| 6,000,000 | Winnipeg Electric Co. 30-Year Ref. Mtge. 6s, due Oct. 2, 1954, price 94½ and interest, to yield over 6.40 per cent. |
| 6,500,000 | Central Iowa Power & Light Co. 1st Mtge. Series "A" 6s, due Nov. 1, 1944, price 100 and interest. |
| 5,000,000 | South Penn Collieries Co. 1st S. F. Series "A" 6s, due Nov. 1, 1944, price 94½ and interest, to yield about 6½ per cent. |
| 6,000,000 | State of Missouri 4s, due 1935 to 1937 inclusive, price 99 and interest, to yield about 4.10 per cent. |
| 5,000,000 | State of Minnesota 4¼ Per Cent Bonds, due Dec. 1, 1939, price 101.39, to yield 4⅛ per cent. |
| 11,500,000 | Cleveland Electric Illuminating Co. Gen. Series "A" 5s, due Nov. 1, 1954, price 100 and interest. |
| 4,000,000 | Penn Public Service Corp. 1st & Ref. "D" 5s, due Dec. 1, 1954, price 94 and interest, to yield over 5.40 per cent. |
| 15,000,000 | Sinclair Consolidated Oil Corp. 3-Year 1st Lien Coll. Series "C" 6s, due Dec. 1, 1927, price 98½ and interest. |
| 100,000,000 | Government of the French Republic Ext. Loan of 1924, 25-Year Sinking Fund 7s, due Dec. 1, 1949, price 94 and interest, to yield about 7.53 per cent. |
| 4,500,000 | State of California 4¼ and 4½ Per Cent Gold Bonds, $2,000,000 4¼ Per Cent Veterans Welfare Bonds due Feb. 1, 1926 to 1946 inclusive, prices to yield 3.75 per cent to 4.10 per cent, and $2,500,000 4½ Per Cent Highway Bonds, due July 3, 1963 to 1965 inclusive, price to yield 4.15 per cent. |
| 12,945,000 | Illinois Central R. R. 4½ Per Cent Equipment Trust Certificates, Series "K", maturing from August 1, 1925 to August 1, 1939, both inclusive, price 98⅞, to yield about 4.68 per cent. |
| 4,600,000 | Delaware & Hudson Co. 1st & Ref. Mtge. 4s, due May 1, 1943, price 90 and interest, to yield over 4.82 per cent. |
| 3,000,000 | State of North Carolina 4½ Per Cent Highway Bonds, due Jan. 1, 1947 to 1964 inclusive, prices to yield 4.40 per cent. |
| 7,000,000 | Chicago Union Station Co. Guaranteed 5s, due Dec. 1, 1944, price 98½ and interest, to yield about 5⅛ per cent. |

## Railroad Expenditures

The Board of Directors of the American Railway Association has called attention to the program of expenditures adopted by the roads for the years 1923 and 1924, and the results that have been accomplished in economical and efficient service.

Their plans for the two years contemplated the following capital outlays:

| | Capital Expenditures 1923 | Authorized Expenditures 1924 | Total |
|---|---|---|---|
| For locomotives .......... | $ 208,966,280 | $ 101,233,000 | $ 310,199,280 |
| For cars ...... | 472,757,711 | 412,264,000 | 885,021,711 |
| For other improvements | 377,425,435 | 563,800,000 | 941,225,435 |
| Total ...... | $1,059,149,426 | $1,077,297,000 | $2,136,446,426 |

The statement goes on to show that in 1923 the railroads handled 29,432,609,000 car-miles of traffic as against 27,065,426,000 car-miles in 1920, the latter being the largest year's traffic prior to 1923, and that total operating expenses in 1923 were $4,895,000,000, against $5,827,591,146, for the smaller amount of traffic in 1920.

The following statement is given of savings in 1923 and 1924 by reason of freight-rate reductions:

| | | |
|---|---|---|
| (A) | $ 336,000,000 | less was paid in freight charges in 1922 than would have been paid had the average freight rates of the year 1921 been in effect in 1922. |
| (B) | $ 657,000,000 | less was paid in freight charges in 1923 than would have been paid had the average freight rates of the year 1921 been in effect in 1923. |
| (C) | $ 380,000,000 (Eight Months Only) | less was paid in freight rates in the first eight months of 1924 than would have been paid had the average freight rates of 1921 been in effect in 1924. |
| (D) | $1,373,000,000 | Total saving to the public in reduced freight charges since 1921 by reason of lower level rates. |

**Railroad Construction in Prospect**

The year 1925 promises to be a good one for railroad earnings and for railroad expenditures as well. A number of construction projects of a magnitude not seen in recent years are now under way. The Illinois Central is leading with 165 miles of new road, from Edgewood, Illinois, to Fulton, Kentucky, plans for the electrification of lines in Chicago and for its new station in that city. These undertakings illustrate the present-day tendency of expenditures, which are largely to secure greater efficiency in handling traffic, rather than for entering new territory.

Of this character is the Castleton cutoff, just completed by the New York Central, which consists of 28 miles of double-track from a point west of Albany to intersect the Hudson river and Boston & Albany lines south of Albany, crossing the Hudson river on a high bridge requiring no draw. This line avoids the heavy grade out of Albany westward and the draw-bridge at that city, both serious impediments to heavy traffic. Included in the scheme is a new freight yard to accommodate 10,000 cars. The improvement has been two years under way and has cost $25,000,000. The people who think of even the eastern states as having all the railroads they need should understand that the growth of traffic involves constant enlargement of facilities on a costly scale.

The Pennsylvania railroad is about to enter upon the construction of a costly new terminal in Newark, and when the consolidation schemes now on foot among the roads entering New York are consummated other extensive terminals will be wanted.

These New York terminals, however, may be all eclipsed by the new union terminal on the South Side, Chicago, for which an expenditure of several hundred millions is contemplated.

The Southern Pacific Company has several large projects in hand. One of them grows out of its recent acquisition of the El Paso & Southwestern, and involves the expenditure of about $14,000,000 in effecting desired connections. Another is the Natron cut-off, an extension of 118 miles in Oregon.

The Union Pacific has begun work on a "cut-off" of 100 miles to link up its Idaho line with its line leased of the Southern Pacific between Ogden and San Francisco.

More railroad trackage has been abandoned than built since the war, but 1925 probably will make a showing on the other side.

The reports of railroad earnings in October so far as made public have been very favorable as to net results. The volume of traffic has been large with maintenance expenses lower than last year. Traffic has been holding up well in November, car-loadings for the second week being larger than for any corresponding week on record.

## The British Election

About one year ago the Labor party took over the government of Great Britain, as the result of an election in which with three parties in the field it was possible for a minority party to have more votes in the House of Commons than any other party.

It actually administered the government about nine months, and necessarily was restricted to policies upon which it could hope to have the support of either the Liberal or Conservative parties, inasmuch as any measure which would drive these together would compel the Labor ministry to resign. These probably were the very circumstances most favorable to the Labor leaders in their new experience, and most advantageous to the country. The Labor leaders had a try-out at administration under conditions which forbade their trying out any very novel experiments and which afforded protection from the radical demands of their own followers.

The ministry was creditable in character, and the Prime Minister, Mr. MacDonald, commanded respect for his abilities and achievements. It was a great accomplishment to reestablish cordial relations with France, and he was entitled to a part of the credit, but the fact that both Premiers were new to the task, and that public sentiment in favor of a settlement had been growing in both countries, made the situation more favorable than it had been.

Of course the Labor party accomplished nothing in the way of sweeping reforms, did not find any new way of dealing with railway strikes, of eliminating unemployment or solving any of the very serious problems that perplex society. They are able to make the plea that they did not have a free hand, but it is noteworthy that in dealing with practical questions they took about the same attitude that other British officials had taken before

them. They were outspoken in favor of the gold standard, firm against any relinquishment of British authority in India or Egypt, and resented Russian propaganda in British territory.

The Labor party finally lost out on a comparatively unimportant issue, over the failure to prosecute a Communist editor charged with seditious utterances, and a rather loose agreement entered into with the Russian Soviet, which seems to have been little more than an understanding that they would make a treaty in the future providing for a loan.

It is quite possible that the Labor government retired at an opportune time for its own purposes. It did about all it could hope to do and will have less responsibility and a freer hand in opposition.

The new Prime Minister, Mr. Stanley Baldwin, is a man of ability and liberal views, desirous of good relations with the United States, as evidenced by the fact that he negotiated the settlement of the British debt. He was defeated in the election a year ago because of his effort to graft protection upon the traditional policy of free trade, and probably will not repeat the offense.

## Oregon Income Tax

A notable incident of the recent election was the repeal of the Oregon income tax law by popular vote, the majority being over 12,000. We have received the following account of the law and the campaign for its repeal from a responsible Oregon source, and give it as a matter of general interest:

The law had been passed by the 1923 Legislature, and sustained by a bare majority in a referendum election in November, 1923. It had also been upheld by the Supreme Court of Oregon in an attack on it for alleged breaches of the state constitution.

It provided for a graduated tax on personal incomes, and the incomes of firms and corporations, except banking corporations, from 1% on the first $1,000 of taxable income, to 6% on $12,000 and above, and included the "factor" method of calculating the profits of corporations having home offices or branches without the state. It also contained a provision permitting the deduction of corporate dividends distributed to stockholders who were residents of Oregon, excluding the dividends paid to non-residents, prior to calculating the making return and payment of tax on corporate net incomes.

The latter provision was declared to be invalid by the Supreme Court, and as the operation of the law without it practically doubled the tax of numbers of Oregon corporations, it was rendered extremely obnoxious.

The campaign for repeal was conducted by C. C. Chapman, Editor of the Oregon Voter, the initiator of the repeal bill, and was confined strictly to pertinent economic discussion, the question being kept clear of other issues. An investigation was made throughout the state, and showed the effect the income tax had exerted on manufacturing industry, by evidence in the form of signed letters and statements, detailing removals of industries, threatened removals, curtailment of capital, suspension of plans for expansion and the cancellation of negotiations for some very large purchases of timber and manufacturing sites. The damage to the state in development thus retarded was reduced to dollars and cents, the grand total reaching $41,500,000.

From the inception of the repeal movement shortly after the 1923 referendum failed, to the final days before the election, the efforts for the repeal were directed along educational lines, based on the best interests and general welfare of the state in its struggle for internal development.

That this policy was of convincing effect is indicated by the fact that in March of this year an entirely new state income tax law, omitting the provisions alleged to be unconstitutional in the suit then before the courts, was presented to the citizens of the state for signatures preparatory to its introduction as an initiative measure, but although only 13,500 names were required, these signatures had not been secured by the date set by law for filing initiative petitions, July 3, 1924, and the new income tax law failed to appear on the November ballot.

Oregon is the first state in the Union to repeal an income tax law, and its action is regarded as an indication that the principle of state income taxes in duplication of the Federal income tax has received a serious setback, if it has not altogether been abandoned as a source of revenue on the Coast.

## Leather Outlook More Hopeful

The leather industry has had a hard row to hoe since 1920 conditions having been unsettled and depressed ever since the great slump. The last few months, however, have brought a marked change for the better and throughout the trade there is a more optimistic feeling than has prevailed for several years back.

This is due, first, to the continued working-down of surplus stocks of leather in the hands of tanners. Generally speaking, production has been below current shipments, and finished stocks have been drawn upon until they are the lowest for several years back and rapidly approaching normal. The volume of hides in process of tanning is also decreasing which will mean smaller output in months to come.

A second cause is the expanding scale of operations by shoe manufacturers which began in August. Last Spring and Summer most wholesalers and retailers of foot wear bought only for their immediate requirements, and declined to purchase for stock or to place forward orders. The Fall and Winter buying has caused a rapid speeding up of shoe factories, since most orders are for immediate delivery to replace depleted stocks; while further stimulation has come from the cold weather in some sections of the country, the substantial advance in agricultural prices in the West, and the expectations for good Winter business in other lines.

### Sole Leather Curtailment

Of the figures for the October operations in the different branches of the leather industry, gathered and published by the U. S. Bureau of the Census, the first to make their appearance are those for sole leather, one of the most important classifications, which clearly indicates this favorable trend. During October there were finished 1,341,000 pieces; shipments were 1,694,000, causing tanners to draw on

stocks to the extent of 353,000 and leaving a balance in tanners hands at the end of the month of 5,904,000.

This would represent at the present rate of shipment, about three and a half months' supply. Tanners consider a three months' supply of this class of leather about normal, so that stocks have to be still further reduced but the significant fact is that since the high point last year of 9,108,000 on October 31st they are now down 3,204,000 or 35.2 per cent. Moreover, the stocks in process were 5,130,000 at the end of October compared with 5,730,000 one year previous, a decrease of 10.5 per cent. The time required for tanning heavy cattle hides is six to eight months, so it will be appreciated how slow is the annual turnover and how many months elapse before a change in the rate of working in raw hides is reflected in the production of marketable leather.

Following is the Census report for sole leather, the October, 1924, figures being subject to possible correction:

**SOLE LEATHER SIDES, BACKS AND BENDS**
**(000's Omitted)**

| 1924 | Produced | Delivered | Finished on hand | In process |
|---|---|---|---|---|
| October | 1,341 | 1,694 | 5,904 | 5,130 |
| September | 1,225 | 1,578 | 6,257 | 5,066 |
| August | 1,169 | 1,671 | 6,610 | 5,007 |
| July | 1,151 | 1,436 | 7,112 | 4,986 |
| June | 1,063 | 1,173 | 7,397 | 4,893 |
| May | 1,147 | 1,242 | 7,507 | 4,882 |
| April | 1,173 | 1,562 | 7,602 | 4,959 |
| March | 1,213 | 1,513 | 7,991 | 4,893 |
| February | 1,213 | 1,565 | 8,291 | 5,025 |
| January | 1,373 | 1,731 | 8,643 | 5,216 |
| 1923 | | | | |
| December | 1,296 | 1,316 | 9,001 | 5,484 |
| November | 1,367 | 1,454 | 9,021 | 5,644 |
| October | 1,511 | 1,350 | 9,108 | 5,730 |

This decrease in production has been brought about partly by the voluntary "scrapping" of tanning capacity, which was considerably in excess of normal requirements, and partly by a shortage of hides this year. Stocks of heavy cattle hides in the United States were, according to government figures, but 3,774,000 hides on September 30th last as compared with an accumulation of 7,940,000 at the beginning of 1921 after the collapse in leather prices.

Most of the heavy leathers go into shoe soles, which every year take between 80 and 85 per cent of the total output, the balance going into belting, harness, bag, case and strap manufacture. The belting line has shown improvement recently and larger sales are looked for as a result of the expansion which is taking place in business generally; the export trade is reported as satisfactory.

### Side-Upper and Patent Leather

Of the 51,136,000 total cattle sides (half a hide) sold by the United States tanners last year, 18,128,000 or 35.5 per cent went into sole leather, 24,009,000 or 46.9 per cent into side-upper and patent, belting took 4.9 per cent, harness 2.9 per cent, upholstery 2.9 per cent, bag, case and strap 2.5 per cent, and all other 4.4 per cent.

The market for side-upper is spoken of as being in a healthy position with surplus hangovers well liquidated and shoe manufacturers' stocks unusually low. Tanners' production during 1923 averaged about 1,500,000 pieces per month, but is now down around 1,000,000 pieces, and finished stocks in their hands, which were at a high point of about 6,250,000 pieces during the 1921 depression have been worked down to around 2,700,000 on October 31st, this figure representing about two months' sales.

A very good trade is reported in patent leather, deliveries exceeding production. The manufacturers seldom keep large stocks of finished leather on hand but prefer to apply the patent enamel finish only to conform to actual orders, the process requiring less than two weeks. Finished stocks on Oct. 31st represent less than one month's shipments.

Shoe styles have changed so frequently during the last few years that tanners, as well as shoe manufacturers, jobbers and retailers have been kept in "hot water" most of the time. This is particularly true in the case of women's shoes, where the passing vogues for the various colors, black patent, and whites and grays, as well as various "cut-out patterns" have made it difficult indeed to carry on the slow process of tanning, manufacture and sales before style changes eliminate the possibility of profit.

### Calf, Sheep and Goat Leather

Last year the consumption of calf and kip leather according to the Census Bureau was 18,926,000 skins, of which 98.5 per cent. went into the better grade of shoes and the remaining 1.5 per cent. into fancy and glove leather. The present market is in a good statistical position, production running at about 1,500,000 pieces per month, the same as it averaged in 1923. Finished stocks are down 16 per cent from a year ago, and are equal to slightly less than three months' sales, which is about as low as they can conveniently go because of the large variety of calfskin classifications the tanners must carry to supply the trade.

Sheep and lamb shoe stocks show a similar reduction, the supply of finished leather on hand September 30th last being 4,907,000 skins as against 6,566,000 one year previous. The stock of raw skins, which reached a high point of 13,904,000 skins in 1921 was down to 9,203,000 in September 1923 and to 7,282,000 September 30th last. Of this stock about one-half is in the hands of tanners, one-fourth with manufacturers, and the remaining one-

fourth with importers and dealers. The principal uses of sheep and lamb leather in 1923 were: shoe stock 44.8 per cent, gloves 17.6 per cent, hat sweat bands 12.8 per cent and book-binding 6.6 per cent.

The goat skins tanned in this country are almost wholly imported stock. The shoe trade takes 99.0 per cent, the other 1 per cent going into gloves. The latter use has been falling off during recent years due to the decrease in wearing gloves for dress as well as to the popularity of cotton, silk and other materials. Dealers report an active trade at steady prices and an improved export business in glazed kid of the lower grades.

**Style Changes Important**

In the matter of style another important change has been the tendency for men to wear oxfords throughout the year instead of putting on high shoes in Winter, and for women to wear low slippers exclusively instead of high shoes. This has had a twofold unfavorable effect on the leather industry in that the low shoe requires much less leather for its manufacture, and the season of buying by the public is no longer observed. A decade ago the shoe retailer fitted out most of his customers with high shoes each Fall, and the new low ones before Easter but now, except for the strictly summer and sport shoes, the public wears the same footwear throughout the year and purchases according to its requirements and current styles rather than by season.

Added to this is the prevalence of rubber heels. Although this item may seem to be of small importance, one tanner estimates that 90 per cent of men's shoes and 20 per cent of women's shoes produced in this country have rubber heals attached, causing a loss to the leather industry approximating 35,000,000 pounds annually. A further factor is the growing use of rubber and other materials as a substitute for leather soles in low grade and sport shoes.

It might be noted that the development of the automobile has caused a decreased use of leather for harness, a saving of shoe leather by people who now ride instead of walking, and the leather auto upholstery of years past is now being supplanted in many cars by artificial leather made of fabric.

**Export Trade Subnormal**

The depressed conditions which have prevailed in the leather industry since the war may be summarized as, First, a plant and equipment expanded for supplying war requirements and now somewhat larger than is needed. Second, an over-supply of raw hides (which were imported into this country from all parts of the globe during the war years because of the stimulus of high prices, and are only now being worked down within sight of normal); also an oversupply of finished leather. Third, the decreased uses of leather because of low shoes, rubber heels and substitutes. Fourth, a sub-normal export trade, which is now showing an improvement.

**VALUE OF EXPORTS OF LEATHER AND LEATHER MANUFACTURES**

(000's Omitted)

| Year ended Dec. 31 | 1912 | 1913 | 1922 | 1923 |
|---|---|---|---|---|
| Sole leather | $10,134 | $7,809 | $3,835 | $4,617 |
| Glazed kid upper | 20,164 | 17,688 | 11,452 | 11,893 |
| Patent upper | 1,690 | 1,587 | 12,872 | 10,409 |
| Other upper | 7,212 | 6,453 | 14,545 | 12,465 |
| Glove | 127 | 339 | 804 | 1,120 |
| Miscellaneous | 3,575 | 3,494 | 1,964 | 2,330 |
| Total leather | $42,902 | $37,370 | $45,472 | $42,834 |
| Men's & boys' shoes | 10,834 | 11,018 | 5,923 | 10,030 |
| Women's shoes | 5,203 | 5,813 | 5,006 | 5,303 |
| Children's shoes | 1,344 | 1,592 | 1,444 | 2,184 |
| Belting | 934 | 1,068 | 1,638 | 1,690 |
| Other manufactures | 3,183 | 3,134 | 2,699 | 3,037 |
| Total manufactures | $21,498 | $22,625 | $16,710 | $22,244 |
| Total leather & manufactures | $64,400 | $59,995 | $62,182 | $65,078 |

It is of interest to compare the actual quantities exported where the figures are available, and these for some of the above classifications are as follows for the four years:

**Sole leather (lbs.), 44,227,035; 31,260,704; 15,598,352; 17,419,166.**

**Glazed kid upper (sq. ft.), 108,806,114; 96,559,548; 43,259,894; 42,218,215.**

**Men's and Boys' shoes (pairs), 5,107,000; 4,919,556; 1,878,259; 3,187,623.**

**Women's shoes (pairs), 3,098,000; 3,259,045; 2,280,214; 2,292,961.**

A feature of the leather trade has been the large exportation of raw hides and skins, of which the United States is not normally an exporter. For the nine months ended September 30, 1924, these totaled 85,694,000 pounds valued at $9,800,000, compared with the previous year's figures of only 17,854,000 pounds and $2,699,000. On the other hand, imports of hides and skins during the period were only $54,551,000 against $100,378,00 last year. This, has of course strengthened the statistical position of hides in this country.

In finished leather exports there was a small increase, from $31,874,000 to $36,611,000, and in leather manufactures a decrease from $16,777,000 to $14,714,000, and inquiries from abroad frequently failed to materialize due to the difficulty of the foreign buyer in a country of depreciated currency meeting the American prices. At the present time the makers of both sole and upper leather are keenly watching the working out of the Dawes plan in Germany and are looking forward to a much improved European market in the future.

There is still some agitation for an import duty on hides, but this would kill the export trade in leather and injure the export trade in shoes, and in this way react unfavorably upon the value of hides. It is well understood that in round numbers and in a general way the domestic slaughter of cattle and calves is fifty per cent short of normal requirements of the tanners; the other fifty per cent must be imported.

### Increased Shoe Production

In any review of the leather industry it is essential to consider also that of its principal consumer—the shoe industry. The production of shoes has been well maintained during the last two years and in 1923 there was a record output of 351,000,000 pairs, but profits have not been in proportion, due to the frequent style changes, the high wage scales which still prevail and the refusal of retailers to purchase for any but immediate requirements. Inventory adjustments were necessary in the case of some concerns due to the break in leather prices last Fall. Operations during the current year have run about 15 per cent below 1923.

The shoe industry has two seasonal periods of activity and after the Spring run this year slowed down in July to a production of 21,271,000 pairs of shoes. In September this increased to 27,644,000 pairs, which is seasonal, and reports since then have indicated a further improvement in New England as well as Middle Western centers. Most of the buying has been for delivery within a month or two, while the shoemakers would like to see bookings for five or six months ahead as was the custom in the past; nevertheless they are adapting themselves to the changed conditions and are working for quick deliveries and in some cases operating on full time schedules for the first time in years.

Manufacturers report that the efforts which they have been making to standardize shoe styles and materials used have met with a marked degree of success, so that there will be fewer and plainer styles, thus stabilizing the business. Moreover, these require much less labor cost than the fancy patterns. The extreme novelties and colored leathers appear to have all gone by, except in the case of sport shoes for both men and women, in which there was an excellent trade this Summer. The colored leathers, which some tanners refused to produce and others went into cautiously, are said to have come into demand in certain European and South American markets and to have provided a very satisfactory outlet for the surplus stocks in this country.

### Shoe Prices vs. Wages

A subject which has been much discussed during the last few years is the reason for the high price of shoes when the price of raw hides is so low. Why does the cattle raiser receive for a large cattle hide hardly enough money to purchase one pair of shoes? Is the increase in shoe prices since pre-war days due to the higher wages being paid shoe workers, and is there any ground for La Follette's charge that manufacturers are making larger profits than ever before?

In an effort to throw some light on these questions we present the following compilation of facts relating to the prices of hides, leather and shoes, as well as wages in the shoe industry.

For purposes of comparison we have taken the average monthly figures for the even numbered calendar years from 1914 to 1922 inclusive, and the latest available data for 1924. The prices used are, for calfskins, No. 1, country hides, 8-15 pounds, at Chicago, in cents per pound; for leather, chrome calf, B grade, at Boston, in cents per square foot; for shoes, men's black calf, blucher, at Boston, in dollars per pair. The figures regarding hourly wages are taken from an article entitled "Wages and Hours of Labor in the Boot and Shoe Industry, 1913 to 1924" appearing in the June, 1924 issue of the Monthly Labor Review of the U. S. Department of Labor. This report is the result of a survey made by the Bureau of Labor Statistics in the 14 principal states employing 98 per cent of the wage earners in the industry. Only the wages of male employees are reported below; in the case of the female employees, who make up about one-third of the total and whose wage scales are somewhat lower than the men's, the relative changes are practically the same.

**WAGES AND PRICES IN THE SHOE INDUSTRY**

| | Calfskin c per lb. | Calf Leather c per sq. ft. | Men's Wages $ per hour | Calfskin Shoes $ per pair |
|---|---|---|---|---|
| 1914 | 20.99 | 28.0 | .224 | 3.17 |
| 1916 | 33.75 | 45.0 | .243 | 3.71 |
| 1918 | 37.10 | 59.8 | .327 | 5.63 |
| 1920 | 36.80 | 98.5 | .518 | 8.95 |
| 1922 | 16.02 | 44.3 | .461 | 6.51 |
| 1924 | 20.50 | 46.0 | .479 | 6.25 |

Below is given a table showing these same figures reduced to index numbers using the year 1914 as a base or 100 per cent:

| | | | | |
|---|---|---|---|---|
| 1914 | 100 | 100 | 100 | 100 |
| 1916 | 161 | 161 | 108 | 117 |
| 1918 | 177 | 214 | 146 | 178 |
| 1920 | 175 | 352 | 231 | 283 |
| 1922 | 76 | 158 | 206 | 206 |
| 1924 | 98 | 164 | 214 | 197 |

This shows that the hide raiser receives for his cattle hides slightly less than before the war, the shoe manufacturer pays 64 per cent more for leather and 114 per cent more per

hour for labor, and sells finished footwear for 97 per cent more.

The retail price paid by the man and woman buying shoes for their own use will also include the cost of distribution added onto the factory prices given above. Some people in the trade believe that the way to cut shoe prices down more on a par with hide and leather prices is not so much through economies in manufacturing, as through distribution of shoes, particularly retail merchandising. On this point a recent issue of "Hide and Leather" says:

Costs of retailing shoes run as high as 40 and even 45 per cent in some instances. Of course, these are extreme cases, but there are mighty few instances where costs of retailing are down to before the war levels, when they were 25 per cent in many retail stores.

One of the large items of expense in distributing shoes is not in actual costs of selling shoes, such as rent, salaries and overhead charges, but in losses on inventories, commonly taken by charging off shoes that are not salable. Changes in style are one reason for this heavy loss. One authority has estimated it as high as 10 per cent of the total costs of distributing shoes. Of course, if cost of distribution can be reduced, shoes will be cheaper.

This problem is an interesting one and one deserving of careful study to work out a solution. While the profits of concerns in the shoe manufacturing industry are not as a rule made public, the few concerns that do issue earnings statements indicate that net profits in recent years are not satisfactory from the standpoint of capital invested. Taking as an example the Endicott-Johnson Corporation of Endicott, New York, one of the largest companies in the industry, its report made to stockholders and published in the newspapers showed for the year 1923 a $4,154,279 net profit after provision for taxes and amounts payable to workers under the profit sharing plan. This profit avail able for distribution to the stockholders as dividends or to carry to surplus account and retain in the business would be at the rate of 9.71 per cent on the capital and surplus investment at the beginning of the year. Volume of sales was $66,565,812, which would give a rate of profit on sales of 6.25 per cent. For the six months ended June 30, 1924, the profit was $1,729,246 on sales of $31,460,501, giving percentages of 5.48 on sales and 7.90 on investment. This represents one of the most successful concerns in the industry, whose business was established over thirty year ago. The smaller concerns have had difficulty in making any profit at all, because of the unsettled conditions and keen competition in this line, and in addition, those which do a part or all of their own tanning of leather have oftentimes lost money in this department of the business also. If the $6.25 shoe above mentioned were sold at a price to give the company no profit whatever for the tanning, manufacturing and sales, the saving would be only 34 cents on the pair.

#### Research Studies of Tanners Council

Without question one of the most valuable agencies in improving the quality and broadening the uses of leather has been the Tanners Council of America, established at the request of the War Industries Board in 1917. This organization, whose membership is made up of the tanners of over 95 per cent of the leather in this country, have since 1920 maintained in Cincinnati the finest chemical laboratory of its kind, in charge of Prof. George D. McLaughlin, and some time ago engaged Ernest S. Bradford, Director of the Bureau of Business Research of the College of the City of New York, to make an exhaustive study of the leather industry in an attempt to solve some of its economic problems. On November 19-20 the Association held its annual meeting and dedicated a new Research Laboratory which it had presented to the University of Cincinnati. Fraser M. Moffat, president of the Council, in a recent interview given to the "New York Times" says in part:

The time has gone by for inspiration and the tanners are digging into facts. The tanning industry, long in the bottom of the pit, operating on a byproduct as a raw material and exposed to all sorts of speculative movements, is beginning to climb up. We believe in hard work and plenty of it, whether it is operating a tannery, getting economic truths, or investing a couple of hundred thousand dollars in a research laboratory to find out how American leather can be made better.

The published statistics of the leather trade coming out monthly under the operation of what is known as the Kreider Law, which was a pretty hard dose for the leather industry and the packing industry to swallow, show some startling changes of form. The visible supply of leather steadily decreasing, burdensome stocks materially curtailed, hide markets running fairly level, operations governed by an endeavor to relate production to consumption and intelligent handling of plants—all this points the way to just one end.

Statistics are dull things. Sometimes the pill is bitter and sometimes sweet. Just now the statistics are getting sugar-coated.

Never in the history of the tanning industry has the American product of sole and upper leather been so good. Under the stress of war conditions the care requisite to produce a fine product was available only in homeopathic doses, but since that time the old standards have been improved upon, as is evident by a constant increase in the volume of exports.

We have to accept the whims of the feminine part of our population and make what they want. The shoe manufacturer sits up nights to keep ahead of the female mind. The automobile manufacturer worries the tanner to produce leather which shall make fabric look cheap and succeeds. The smart coat for sport wear was once on the back of a sheep, which found it very comfortable, but not nearly so good-looking as the tanner has succeeded in making it. The ingenuity of an artist has devised the most exquisite shades of leather and patterns for shopping bags, which show all the individuality of both the tanner and the original owner of the skins.

The tanner is in a good deal the same position as the farmer. He gambles with nature. Weeds are the farmers' pest; bugs the tanners'. In order to eliminate such annoyances as the pests which destroy a beautiful surface such as Nature provides for the calf or the horse or the cow, the Department

**of Agriculture of the Government is cooperating with the tanner and the packer. But the tanner took the lead.**

**We believe in publicity, to tell the world how good leather is. That is the first article in our creed. Then we believe in having men to make good leather, and to handle the wonderful and startling facts which are brought out by the research laboratory of the Tanners' Council, established at the University of Cincinnati. We believe very strongly in the third article of our creed, which is to get essential facts and after you get them to educate the men who make the leather to use them intelligently.**

**Every tanner in this country is learning to guide his business by accurate information. We think the leather business is a good thing, but we do not propose to run it on a "hunch." What we call the trade survey is charting out position.**

**Higher Prices Expected**

One is impressed in a review of the tanning industry, by the wide fluctuations in the price of hides and leather, even in so-called normal years. Taking for example, the price of green salted packers heavy native steer hides in the Chicago market, in 1910 they sold for 17.75 cents per pound in January and 14.25 in March; 1911—12.75 in April and 16.50 in December; 1912—15.25 in April and 20.00 in November; 1913—16.63 in May and 19.75 in October. The difficulty of doing business with a commodity whose price is subject to such gyrations is obvious, especially in view of the slow nature of the tanning process and the impracticability of curtailing the treatment of material once it has been started.

One cause of these extreme fluctuations, as well as other troubles of the leather industry, is that tanners are purchasers of the meat-packers' by-product—a characteristic that should never be lost sight of. On this point one authority recently stated:

**"Overproduction is not an evil for which the leather industry is criminally responsible. It is rather a condition of its very existence. For the leather industry is peculiar in that the basic materials—hides and skins—are not produced in response to the demand for shoes and other leather products, but in response to the demand for meat. Meat consumption is increasing. There has been a greater slaughter of cattle in the last two years, due to the slump in prices and the situation in corn, which is a determining factor in fattening cattle. The packers have not been in the financial position that they were during the war and pre-war periods to carry on their own account the large stocks of hides or leather tanned in their own tanneries or on commission. Leather, particularly of the heavy type, sole leather, was overproduced in 1922 and during the first six months of 1923. Hence the close of the year saw a large available supply of hides with little active purchasing until the very end of the year, resulting in hides reaching a price level below pre-war times."**

In 1919 the price of the standard hide mentioned above was 28 cents in January, from whence it rose to 52 in August, then fell precipitately for nearly two years to 10.13 in April 1921, rose to 23.00 in November, 1922, declined to 11.90 last April and is about 18.00 at this writing.

The markets for practically all classes of leather have been active during November with slight advances in price and a strong undertone. The situation which prevailed during the earlier months this year, when buyers named their own terms and placed sizeable orders only at concessions, has apparently changed now to the advantage of the sellers, who are setting their prices and taking a firm stand against selling at former quotations. They declare that the time has come for tanners to make a legitimate profit or go out of business, and that comparing finished leather with other commodities, one finds that leather has been selling much too low.

Traders point out that leather prices have not advanced in proportion to those of hides, and that leather will have to go higher when the stocks in tannage bought at lower prices are disposed of. Some tanners report that the increased prices they are asking for leather have caused some curtailment in buying by shoe manufacturers but tanners are adopting a firm attitude and say that leather prices would be even higher were it not for their desire to work down surplus stocks.

**Profits and Losses**

In some recent issues of this Letter we have reprinted the profits of the leading companies in a number of lines of industry which publish annual reports. Although the earnings of some of these concerns are very substantial it is by no means true that manufacturing concerns are generally making large profits. The tanning industry is one line that has not yet recovered from the post-war depression and has for several years been selling its finished products for less than the cost of producing them.

It is not possible to present a complete list of earnings of the large leather companies for the reason that most of them do not make a practice of publishing profit and loss statements. It is no secret, however, that practically all the companies suffered substantial losses in 1920-21 on account of the collapse in prices of hides and finished leather, and that this condition resulted in the failure of many concerns, the carrying alone of others by creditors' committees, the merger of weak companies with strong ones to avert receivership. The working out of this situation has been a slow and trying task.

## Wealth of the Principal Countries

The relative growth of prosperity among the people of the United States as compared with that of other parts of the world is evidenced by a comparison of our recent wealth census with the generally accepted estimates of wealth in other principal countries of the world. While the United States is one of the few nations which take periodical wealth measurements, the economists and statisticians of

other countries, especially in Europe, have for many years made painstaking and thorough estimates of the wealth of their respective countries, and in many instances of countries other than their own. While these estimates are in no sense looked upon as "official" the method of their preparation based upon official records has led to their acceptance as fairly accurate measurements of the wealth and advance of prosperity among the people of the respective countries which they represent. Figures of foreign countries in the accompanying table are based upon expert estimates for the years most nearly approximating those named in the table. Recent estimates of wealth of foreign countries are transformed to U. S. currency at the rates of exchange prevailing at the dates at which the estimates were announced.

It is to compare the relative growth of this evidence of prosperity among the people of the United States with that of the other leading countries of the world that the following table has been prepared. Wealth estimates as now prepared by experts in the various countries of the world are usually based upon the assessed value of real estate and buildings, the recorded value of railways, shipping and telegraph lines, the value of the mines and forests, the capital of the manufacturing establishments, stocks of goods in hand, personal effects of the people and investments in foreign countries.

In the table which follows the official wealth figures of the United States in 1870, 1890, 1912 and 1922 are presented in comparison with the expert estimates of the wealth of other countries at approximately corresponding dates, and in each estimate quoted the name of the author is indicated by the footnote. It will be seen that the estimates stated are those of men of high rank in the statistical and economic world, including Sir Robert Giffen, English economist; Sir J. C. Stamp, Secretary and Editor of the Royal Statistical Society; Edgar Crammond, Member of the British Royal Statistical Society; Edmund Thery, the distinguished French economist; Ugo Pellegrini, Director of the Banca d'Italia; Banco Urquijo, Madrid; Baron Takahashi, Vice Governor of the Bank of Japan; Knibbs and Coghlan, statisticians of the Australian Government; Coates, statistician of the Canadian Government; Dr. Helfferich, late Director of the Deutsch Bank, who estimated the wealth of Germany immediately preceding the war and issued a post-war estimate only a few weeks preceding his death; Bunge and Latzina, the well known Argentine economists and statisticians, and Dr. L. S. Rowe, Director General of the Pan American Union.

Many of the recent estimates of the wealth of the principal European countries and certain of the British colonies are based upon those of Edgar Crammond presented before the British Institute of Bankers in 1920, while many of the estimates for 1912 are based upon those of Dr. Stamp, Secretary of the Royal Statistical Society.

It will be seen by a comparison of the wealth figures of the respective countries included in the table which follows that the percentage of increase in wealth in the United States far exceeds that of any other country. The wealth of the United States, according to the census figures, has grown from 30 billion dollars in 1870 to 321 billions in 1922, a rate of increase far in excess of that indicated by the generally accepted wealth estimates for the other countries named.

The chief classes of articles forming the 1922 wealth of the United States, $320,803,000,000, which the Census Bureau officially designates as the "estimated value of the national wealth" are real property and improvements $176,414,000,000, clothing, furniture and other kindred property $39,816,000,000, manufactured products $28,423,000,000, railroads and their equipments $19,951,000,000, manufacturing machinery, tools and implements $15,783,000,000, livestock $5,807,000,000, agricultural products $5,466,000,000, street railways $4,877,000,000, and telegraph and telephone systems $1,949,000,000. Real property and improvements thus form 54.9% of the grand total, clothing, personal adornments, furniture and other kindred property 12.4% and railroads and their equipments 6.2%.

**Wealth of U. S. compared with other principal countries of the world in 1922, 1912, 1890, 1870; compiled from U. S. census reports and from estimates of statistical experts in the respective countries designated.**

| | In Million Dollars | | | |
|---|---|---|---|---|
| | 1922 | 1912 | 1890 | 1870 |
| U. S. | 320,803a | 186,299a | 65,037a | 30,069a |
| U. Kingdom | 88,840t | 79,297t | 53,352o | 40,000f |
| France | 67,710t | 57,075n | 43,799o | 33,092e |
| Germany | 35,700j | 77,783j | 49,500q | 38,000q |
| Italy | 25,986t | 23,030c | 9,733o | 7,300e |
| Spain | 29,319u | No data | 11,193o | 10,512e |
| Switzerland | 4,567g | 3,030q | 2,404e | No data |
| Russia | No data | 56,140c | 28,225e | 13,626o |
| Poland | 17,000a | No data | No data | No data |
| Latvia | 1,000a | No data | No data | No data |
| Finland | 3,600a | No data | No data | No data |
| Netherlands | 8,260g | 4,827c | 4,769o | No data |
| Canada | 22,095d | 10,980c | 4,744o | 2,871e |
| Mexico | 7,900r | No data | No data | No data |
| Cuba | 8,000r | No data | No data | No data |
| Argentina | 13,178g | 11,680p | 2,477e | No data |
| Brazil | 13,020g | No data | No data | No data |
| Chile | 3,064g | No data | No data | No data |
| Peru | 4,000r | No data | No data | No data |
| India | 21,960t | No data | No data | No data |
| China | 19,087g | No data | No data | No data |
| Australia | 9,689g | 6,113h | 6,667o | No data |
| N. Zealand | 1,756t | No data | 730o | No data |

a, Official; b, Crammond; c, Stamp; d, Coates; e, estimate; f, Griffen; g, Moody; h, Knibbs; j, Helfferich; k, Neymark; m, Barthe; n, Thery; o, Mulhall; p, Bunge; q, Encyclopedia Americana; r, Pan American Union; s, Armament Conference; t, Based on Crammond's estimate in 1920; u, Banco Urquijo.